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Parents are relieved that there will be no tax on tuition fees, although higher education institutions will be taxed. But uniforms and books are not exempted from VAT.

Parents feel the heat with VAT on school purchases

Sarwat Nasir

Several parents are stocking up on school uniforms and books, ahead of the 5 per cent VAT that will be implemented on these school necessities starting January 1, 2018.

Parents in the UAE are, however, relieved there will be no tax on school tuition fees (though fees on higher education institutions will be taxed), but school uniforms and books are not exempted.

An Indian parent of two children, Pranesh Nair, said he will be purchasing four to five sets of uniforms for each of his child before the tax takes effect.

"I will go buy uniforms now to manage our budget. Usually, we buy four to five sets for our first child and now our second child will be starting school next year, so



"If you're getting taxed on school uniforms and other things, it's not good for us because education and hospitals should never be taxed."

Pranesh Nair

"We'll buy the uniforms before the year ends," Nair said, adding that this tax will affect the budgets of expatriates who survive in the country only on their monthly sal-



"I will be happy to pay that nominal 5 per cent tax, as it goes to the government and will be spent on the country's development."

Rajeev Sivaraman

ary. "If you're getting taxed on school uniforms and other things, it's not good for us because two things that should never be taxed are education and hospitals. Even

though there is no tax on tuition fees, the fees are increasing each year. 80 per cent of the people are expats here and they're living on their salary. The day-to-day cost of living is increasing, not only in the UAE, but also in other countries," said Nair, a sales manager.

A parent of three children, Mariam Ayaz said she will be reusing the uniforms from previous years and purchase additional ones before the year ends, besides buying used books from other students in order to save money.

"If the school fees are increasing each year, how can we parents afford to pay extra for books and uniforms? Five per cent may not seem much in a single payment, but if we do our yearly budgets, that extra money could've been saved to buy other important things for our children," said Ayaz, a full-time mum with two daughters and a son.

"I'll buy uniforms one size larger for my kids, so we won't have to purchase again after the tax.

"For books, I will try to find used books or younger children can use the books my eldest daughter used before," Ayaz added.

One parent, however, doesn't mind paying the tax. Rajeev Sivaraman said: "I have two kids in India International School Sharjah. I'm paying approximately Dh1,600 per year for books and uniforms for both of them together. Paying Dh80 extra for one year will not be a burden for me."

He added: "I don't think it's advisable to stock early on books and uniforms to get an advantage over VAT. I will be happy to pay that nominal 5 per cent tax, as this is going to the UAE government and will be spent on the development of the country."

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School uniform stores see an early buying rush

Sarwat Nasir

Some uniform stores in the UAE are reporting an increase in sales ahead of the 5 per cent VAT that will be implemented on uniforms for private schools.

The admin at the uniform store Stitches, Marie Argent, said that they have been seeing more customers recently, which she said is 'unusual' for this time of the year.

Several parents also told *Khaleej Times* that they were stocking up on uniforms before the tax takes effect. Prices for uniforms can vary anywhere between Dh30 to Dh100, depending on the school and type of uniform.

"There are more customers coming into the store. We have to implement the tax starting January 1, so we see that they are some customers coming in to buy additional books now," Argent said.

Dh30

is starting price for school uniform items, depending on the school and type

Noina Khan, the owner of the Uniform Centre, believes that parents should not be stocking up on

uniforms so early as schools may change their policy on the type of uniforms.

Khan said that schools sometimes change the style of uniforms, every two to three years. "Parents have to think what if the school changes their policy. They will have all of these additional uniforms that their child cannot wear anymore," she said.

However, a tax expert at Dubai-based Tax Consultancy, Sarah Fer-

guson, said: "To summarise, the impact of VAT on school uniforms in the UAE will be a 5 per cent increase to the end consumer. Parents can prepare themselves better by purchasing school uniforms before January 1, 2018 when the new VAT rules take effect. The VAT impact on school books in the UAE that are related to the curriculum will be zero-rated and will not be affected by the implementation of VAT."

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An overview of VAT on education in GCC and how it is applied

THE PERSPECTIVE



Sarah Ferguson
Founder, Sarah Ferguson Tax Consultancy

VAT registered businesses that supply goods and services are subject to VAT at either the standard or zero rate.

The mandatory registration threshold shall be Dh375,000. Unless supplies of goods and services are zero rated or exempt, they will be subject to VAT at the standard rate. The standard rate of VAT ap-

plied will be 5 per cent, across the GCC region.

VAT on Education

It is common for many countries across the world to exempt education from VAT. Each GCC country has the discretion to either exempt the education sector from VAT or subject it to VAT at the zero rate.

In addition to education services, for which the education provider usually charges a school or tuition fee, the education provider may also be engaged in other income generating activities such as the sale of goods including school uniforms and school books.

The main educational services and related goods and services sup-

plied shall be zero-rated, if supplied by any of the following 'qualifying educational institutions':

- > Nurseries, preschools, schools
- > Higher educational institutions owned or funded by Federal or local Government.

This means that a 'qualifying educational institution' shall not charge VAT on the zero-rated educational services they provide, and will be able to recover the VAT they pay on related costs when they file their tax returns. Any educational services provided by other entities not listed above shall be subject to the standard rate (i.e. 5 per cent).

Provision of educational services by a 'qualifying educational institutions' is a zero-rated taxable sup-

ply. Hence, if the supplies exceed the Mandatory Registration Threshold of Dh375,000, then the institution needs to register.

It may apply for exceptions from registration via the registration application if the institution does not provide any services or goods taxed at the standard rate of 5 per cent. Applying for an exception will relieve the school from filing regular

Each GCC country has the discretion to either exempt the education sector from VAT or subject it at the zero rate."

Sarah Ferguson

returns, but would also mean the school cannot recover the input tax incurred on its expenses.

If a 'qualifying educational institution' supplies other goods and services that are directly related to a zero-rated supply of education, they qualify for zero-rating as well. For example, books and digital reading material supplied by educational institutions that are related to the curriculum being taught also qualify for zero-rating.

There are supplies related to the provision of the education services which are subject to the standard rate (i.e. 5 per cent), such as:

- a. Goods and Services supplied by a 'qualifying educational institution' to persons who are not en-

Your views on the impact of VAT on prices of school uniforms and books?



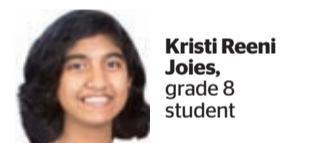
Saakshi Joshi
Grade 11, Delhi Private School, Sharjah

The implementation of VAT is good for the development of the nation, as the money can be used for infrastructure development and other kinds of progress work. Keeping in mind the increase in prices though, I will use textbooks given to me by my friend, a grade above me. I will also not buy new sets of uniforms this year as I can easily reuse last year's uniforms.



Niti Bhargava, parent of two

Any expense in the education machinery is unavoidable. Being a mother of two school-going kids, my plan is to be more vigilant with expenses January onwards. I cannot stop my kids from getting new books, or buying stationery for school projects. However, I can keep the family budget low on entertainment and minimise expenses on junk and processed food. Initially, VAT will impose challenges and distress our individual pockets, but, I believe it is for the UAE's betterment in the long run.



Kristi Reeni Joes, grade 8 student

As a student, uniform and books are essential. Families will try to save money with the introduction of VAT. Saving money is not something children are concerned about. But I believe the incoming tax will make kids more aware of their parents' expense burden. Students need to learn how to conserve their belongings, such as keeping their books in good condition so that it can be passed on to their younger siblings or friends. This will teach children the value of sharing. Ditto for keeping stationery items safe and not losing them.

Happy holidays!

Due to the winter school break, *Class Act* won't be published for the next two weeks. See you in 2018!



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